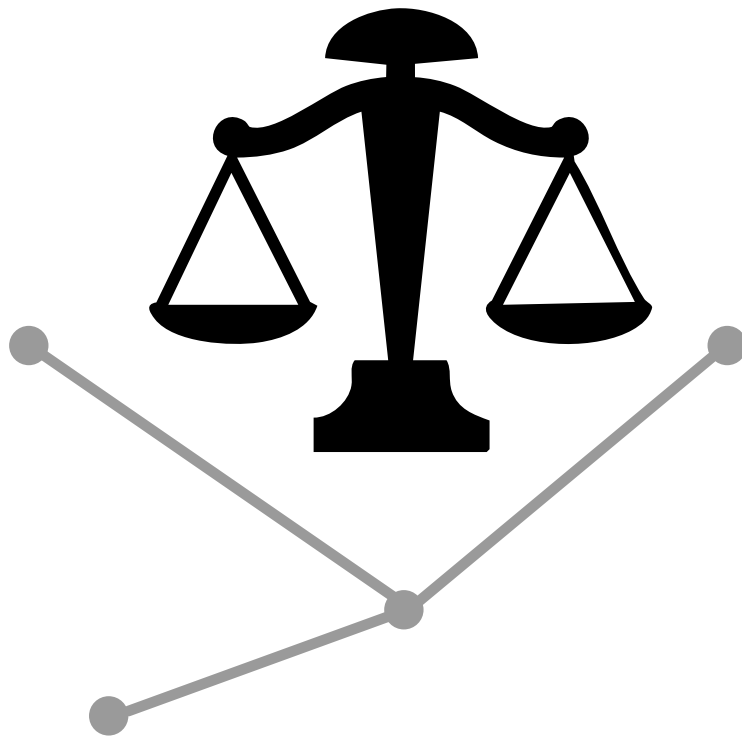


A Whitepaper by



Online Dispute Resolution

Transforming Business Efficiency
and Reducing Costs





Shachindra Nath

Chairman
PSL Association of India

The financial services sector is a cornerstone of economic progress, but its traditional methods of dispute resolution often struggle to keep pace with the speed of modern business. Protracted litigation can be a drain on resources, impacting organizational effectiveness and liquidity, especially when timely settlements are paramount.

Online Dispute Resolution (ODR) presents a powerful solution, leveraging digital platforms to offer a more transparent, cost-effective, and significantly faster approach to resolving conflicts.

This whitepaper delves into the transformative potential of ODR for the banking and finance industry, examining how it can reduce costs, enhance efficiency, and improve overall accessibility to justice. We believe the insights presented herein will be invaluable for financial institutions, businesses, and policymakers seeking to modernize their dispute resolution strategies and foster a more resilient and efficient financial ecosystem. By embracing ODR, stakeholders can unlock significant benefits, including strengthened customer relationships, reduced operational burdens, and a more streamlined path to resolving disputes.



Sharad Sharma

Co-Chairman
PSL Association of India

The banking sector drives economic growth but is hindered by inefficient resolution of disputes, delay in lending, increased risk, and increased costs. Traditional litigation is costly, time-consuming, and inaccessible, especially for MSMEs that need swift settlement in order to avoid liquidity problems.

ODR has become a revolutionary remedy, reducing time-to-resolution, increasing transparency, and facilitating the ease of people resolving disputes. In its 2021 ODR Policy Plan, NITI Aayog stated that ODR can unleash unprecedented growth opportunities in different sectors. It speeds up settlements and increases confidence in the financial system, allowing lenders to manage non-repayment risks more effectively.

Implementation of ODR by SEBI to resolve disputes in the securities market has revolutionized investor grievance redressal, reduced time taken for resolutions to below 60 days, reduced cost, and infused an unprecedented transparency. This model is now establishing a precedent for the banking and MSME lending landscape to replicate.

This whitepaper delves into the impact of ODR and I hope that these insights will motivate institutions to include ODR as a fundamental tool for optimizing financial efficiency and economic growth.



Priyashmita Guha

CEO

PSL Association of India

In today's fast-paced digital economy, businesses cannot afford to be weighed down by slow and costly legal disputes. The traditional litigation system, while foundational, often hinders economic agility—especially for MSMEs and financial institutions that rely on swift resolutions to maintain liquidity and growth. Online Dispute Resolution (ODR) offers a game-changing solution to this challenge, transforming dispute resolution into a streamlined, cost-effective, and scalable process.

This whitepaper highlights the key advantages of ODR, from reducing legal expenses and accelerating settlements to improving financial predictability and fostering trust within the ecosystem. More than just a dispute resolution mechanism, ODR is a strategic tool that fuels business expansion, de-risks lending, and empowers economic growth.

By adopting ODR at scale, we can increase access to credit, strengthen financial stability, and drive innovation in the priority sector lending landscape. As India pushes towards a more inclusive and digital-first financial ecosystem, ODR stands at the forefront of this transformation. I hope the insights presented in this whitepaper helps companies adopt arrive at a decision to adopt ODR.



Rajneesh Jaswal

Co-Founder
Cadre ODR

At CADRE, we have seen personally how ODR can help companies resolve conflicts. Many of our customers have been helped by our platform to quickly settle conflicts, therefore saving millions of dollars in legal and running costs.

This whitepaper is evidence of ODR's power and capacity to transform the field of dispute resolution. We are privileged to participate in this important discussion and hope more businesses base their operations on ODR as the main tool available.

The banking industry, being the backbone of economic development, is confronted with the ever-present task of cutting through controversies to facilitate quick financial recovery. During the financial year ended March 2023, the RBI certified that banks wrote off bad loans of more than INR **2.09 lakh crore** (approximately \$25.50 billion). Additionally, since March 2013, loans worth approximately INR **15.31 lakh crore** (\$187 billion) have been written off, and recoveries in such loans are a dismal **18%**.

The reasons why recoveries are low are legal expenses, lack of information, and absence of adequate enforcement mechanisms. It is still too costly, time-consuming, and complicated to resolve a dispute in India for litigants, particularly for corporate litigants who have to incur corporate rates, generally higher than those an individual has to pay.

Online Dispute Resolution (ODR) presents a technological solution to conflict resolution that modifies and simplifies the conflict resolution process, bringing it within easy reach and economic cost. It offers an open, impartial, rule-based, and system-oriented process, employing differing levels of human intervention in order to facilitate fairness.

The Challenge of Loan Recovery in India

Key Statistics on Loan Write-Offs and Recoveries in India

Metric	Value	Source
Total Loans Written Off (FY 2023)	INR 2.09 Lakh Crore (~\$25.50 Billion)	RBI Report
Total Loans Written Off (Since 2023)	INR 15.31 Lakh Crore (~\$187 Billion)	RBI Report
Recovery Rate (Written-off Loans)	18%	RBI Report
Average time for Recovery (Courts)	744 Days (Delhi), 626 Days (Mumbai)	Ease of doing business Report, Department of justice
Cost of Recovery (Traditional)	31% of Claim Value	Ease of doing business Report, Department of justice
Cost of Recovery (ODR)	3% of Claim Value	CADRE ODR Platform

Source: RBI Report, Ease of Doing Business Report, Department of Justice, India.

Inefficient dispute resolution hinders banking, financial, and economic recovery. Litigation inefficiencies cost banks **INR 2.09 lakh crore** in March 2023, **15.31 lakh crore** since 2013, and **18%** recoveries. Delhi and Mumbai court settlements take 744 and 626 days, respectively, and legal costs delay 31% of claims (22% lawyer fees and 8.5% court charges). Inefficiency limits loans, escalates capital expenses, and inhibits MSME growth.

Cheap 90-day online ODR settles disputes for under 3%. E-documentation, virtual hearings, and no-court appearances make it efficient, scalable, and MSMEs-friendly. ODR lowers lending risks, increases credit, recoveries, and rates.

ODR may reduce litigation costs and corporate losses, increasing GDP by **INR 1.99 lakh crore**, says NITI Aayog. Mass adoption enhances India's two-fold MSME lending goal's confidence, compliance, and credit.

Dispute resolution inefficiencies are costing India—can ODR fix it?



The Cost of Litigation Inefficiency

- ₹ INR **2.09 lakh crore** lost in march 2023
- ⚠ INR **15.31 lakh crore** written off since 2013
- 📁 Only **18%** recoveries from bad loans

Delays & High Legal Costs

- Settlement time in courts:
 - Delhi: 744 days
 - Mumbai: 626 days
- Legal costs
 - Consumer **31%** of claims
- Lawyer fees: **22%**
- Court fees: **8.5%**

How ODR changes the game

- 🔧 Settles disputes in 90 days
- 📈 Cut costs <3%
- 👤 E-docs & virtual hearings prevent delays

Economic & Financial Impact

- 📉 Reduce risks, boosts Recoveries
- 🔗 Expands MSME credit
- ⚙ Lowers capital costs, drives inclusion

ODR's Potential Impact on India's Economy

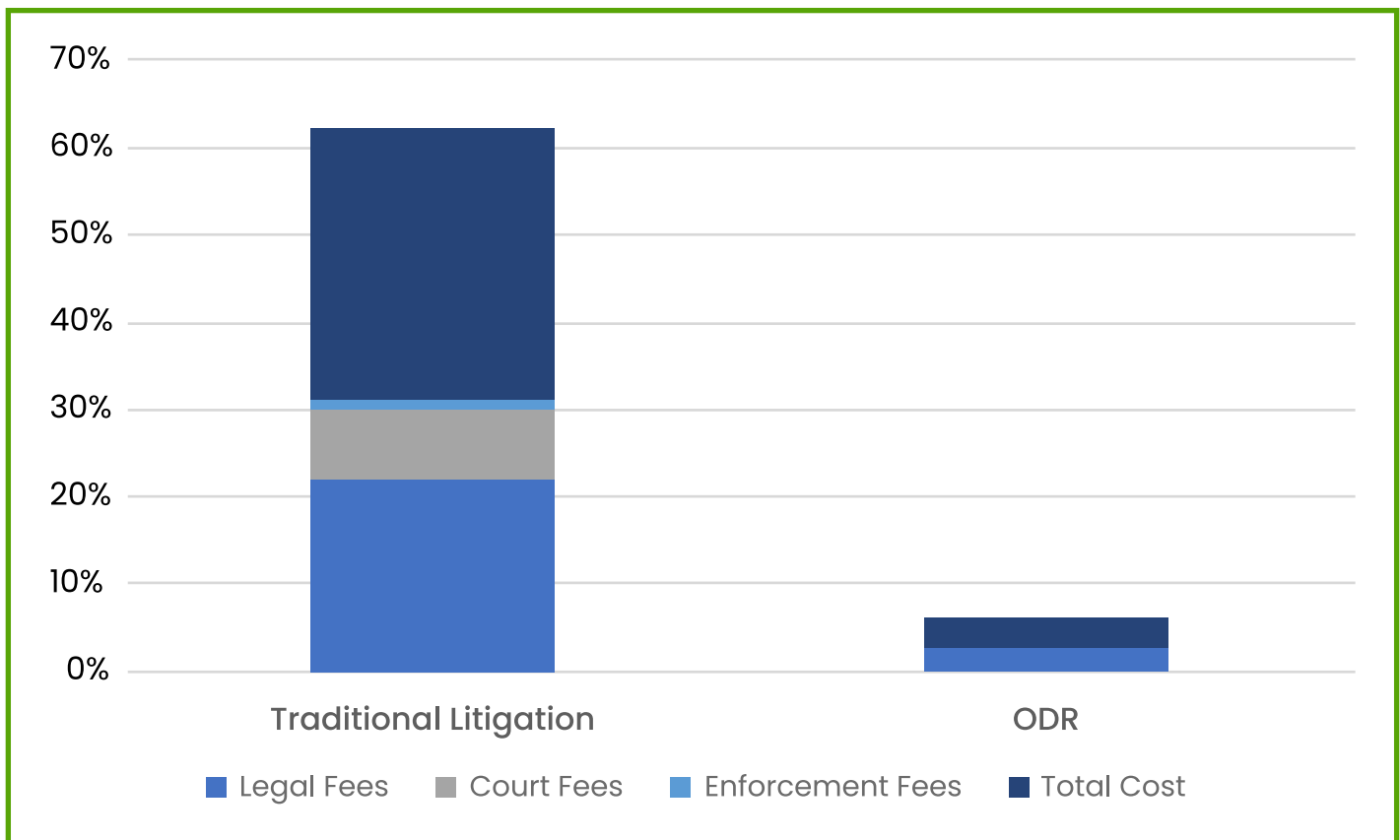
- ₹ Odr may add **1.99 L CR** To GDP
- 👤 Mass adoption builds trust and credit flow



Lower Dispute Resolution Costs

Traditional litigation is expensive and time-consuming, involving legal fees, court fees, and long waiting periods. ODR provides a more cost-effective solution by resolving disputes through digital platforms without the need for physical presence in courts. This reduces travel, legal, and administrative costs.

Comparison of Costs Between Traditional Litigation and ODR



ODR reduces total dispute resolution costs from 31% to just 3% of claim value, saving businesses up to 28%.



Faster Resolution Times

ODR can expedite the dispute resolution process, leading to quicker settlements. Faster resolutions help financial institutions and MSMEs save on opportunity costs and redirect resources to other productive uses sooner

How ODR Reduces Dispute Resolution Time Across Indian Cities



Delhi :
Traditional Litigation:
744 days.
ODR: 90 days.

Time Saved: 654 days.



Mumbai :
Traditional Litigation:
626 days.
ODR: 90 days.

Time Saved: 536 days.



Other Cities :
Traditional Litigation:
650 days.
ODR: 90 days.

Time Saved: 560 days.

Source: Ease of Doing Business Report, Department of Justice, India

Traditional litigation in Indian cities: 600+ days vs ODR's 90 days (cutting time by ~80%)



Improved Risk Management

By facilitating quicker and predictable dispute resolutions, ODR enhances the predictability in the lending environment. Lenders can better manage risk associated with non-repayment and disputes, potentially reducing the cost of capital for MSMEs as perceived risks decrease.

How ODR Reduces Risk in the Lending Market

Predictable dispute resolution lowers lender risk & MSME capital costs

The Problem (Before ODR)



- High risk & uncertainty in MSME lending
- Disputes take years to resolve, making recoveries unpredictable
- Higher risks force lenders to charge higher interest rates

The Solution (With ODR)



- ODR resolves disputes in 90 days
- Predictable recovery rates = reduced lender risk perception
- Lower capital costs = more accessible loans for MSMEs

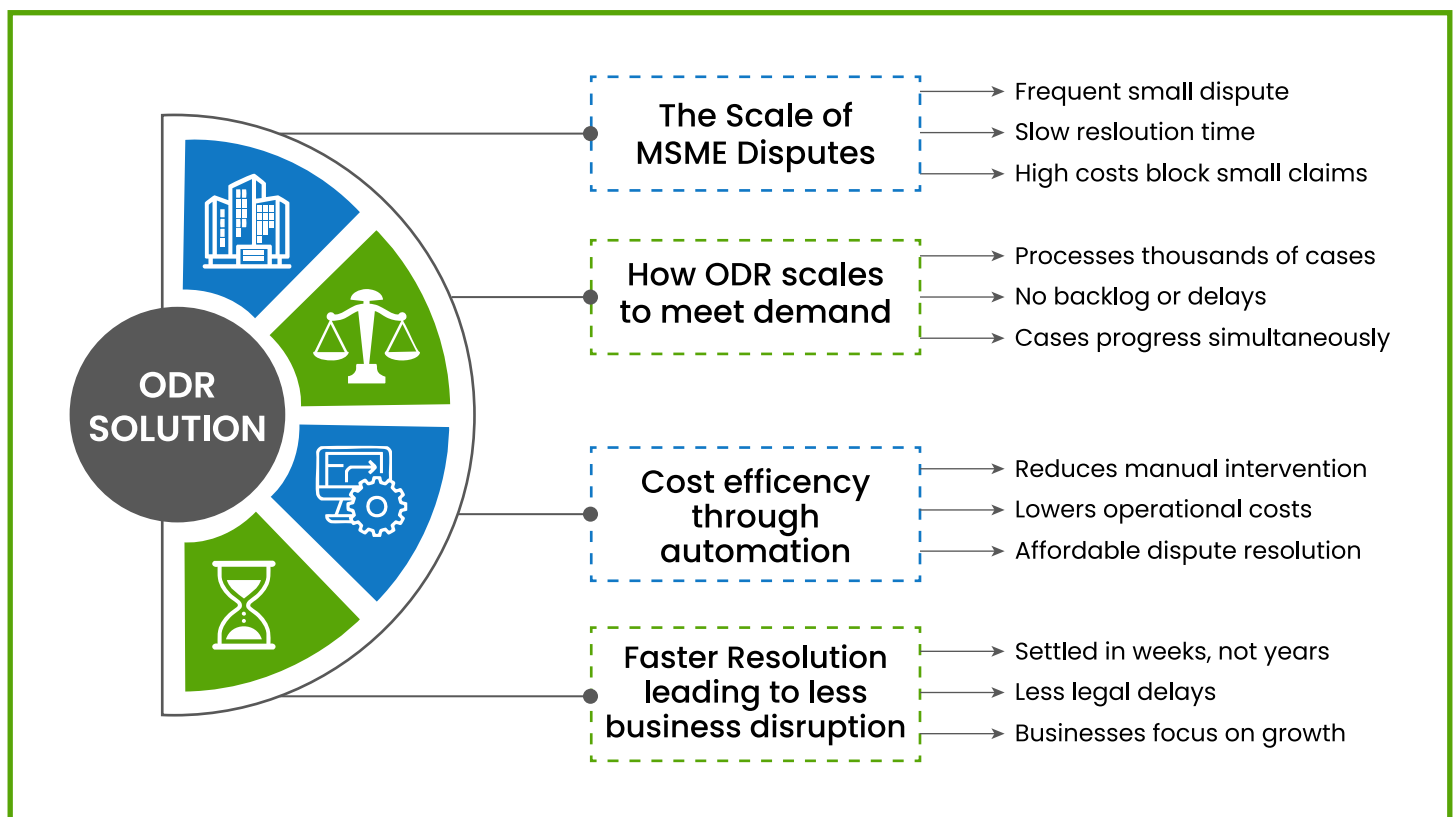
ODR scales MSME dispute resolution, making it faster, cheaper, and more efficient



Scalability and Efficiency

ODR platforms can handle a large volume of cases simultaneously, which is especially beneficial in the MSME sector where small disputes can be numerous. This scalability helps keep operational costs low for dispute resolution, making the process more efficient and less costly

How ODR Eliminates Bottlenecks and Scales Lending



ODR scales MSME dispute resolution, making it faster, cheaper, and more efficient

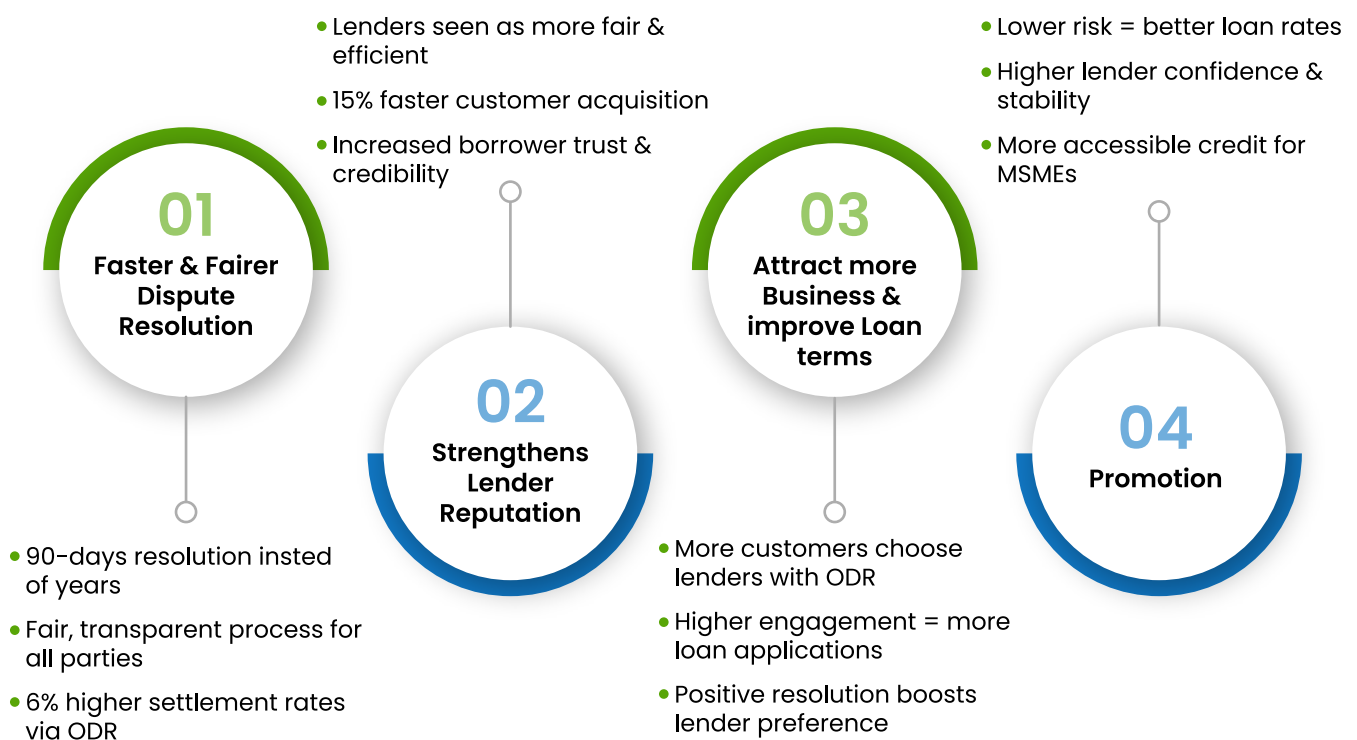


Increased Trust and Reputation

Efficient dispute resolution improves trust among participants in the financial ecosystem. Lenders who offer access to fair, quick, and effective dispute resolution mechanisms may see enhanced reputations, potentially attracting more business and allowing for better terms to be offered.

How ODR Builds Institutional Trust

Fast, Fair Resolution Boosts Reputation and Attracts Customers



ODR drives trust, strengthens reputation, and accelerates business growth making lending more efficient and accessible.



Regulatory Compliance

ODR can help financial institutions ensure compliance with local and international regulations regarding consumer rights and dispute resolution.

How ODR Helps Financial Institutions Stay Compliant

ODR ensures compliance, boosts transparency & protects consumer rights



01

Ensures compliance with local & global regulations

- Meets legal requirements for dispute resolution
- Reduces risk of non-compliance penalties
- Supports global financial standards

02

Enhance transparency & audit Readiness

- Tracks dispute processes digitally
- Automates compliance reporting
- Enables real-time regulatory oversight

03

Strengthens consumer protection & trust

- Ensures fair & structured resolution processes
- Boosts lender credibility & customer confidence
- Reduces legal risks & operational inefficiencies

ODR helps financial institutions maintain compliance, improve transparency and strengthen trust in the financial system

Adoption of **Online Dispute Resolution (ODR)** has great chances to revive lending to Micro, Small, and Medium Enterprises (MSMEs), a sector crucial for India's economic development. ODR lowers perceived risks for financial institutions by cutting dispute resolution times from almost two years to 90 days and improves recovery rates by 10 percentage points (from 18% to 28%), therefore motivating them to lend credit more widely. Simultaneously, the huge drop in operational costs from 31% of claim value in conventional litigation to just 3% through ODR allows banks to liberate money for lending operations. Moreover, MSMEs get confidence to participate in official financial institutions since they know conflicts can be addressed quickly and reasonably, so promoting a virtuous cycle of trust and credit absorption.

Quantitatively, ODR might close a significant amount of India's **₹3.2 lakh crore MSME** credit shortfall. By means of speedier, tech-enabled resolutions, a 10% increase in recovery rates achievable would collect ₹1.53 lakh crore from the **₹15.31 lakh crore** in debts written off since 2013. Assuming banks reinvest even 50% of these recovered money into MSME lending a cautious estimate consistent with priority-sector lending mandates this might unleash around **₹76,500 crore** (almost ₹80,000 crore) in new credit. With an average loan amount of ₹10 lakh, such an inflow will empower around 8 lakh MSMEs, hence promoting company growth and creating 6–8 lakh jobs. This fits more general macroeconomic improvements such as GDP increase and improved financial inclusion, hence establishing ODR as pillar of India's MSME-led economic recovery.

Late customer payments for India's MSMEs have become a survival question. Small businesses caught in long-standing conflicts spanning two to three years suffer frozen operating capital, impaired credit history, and a desperate turn to predatory financing to survive. This is a structural crisis: **thousands of businesses are on the brink of insolvency as MSME payments ranging from 20 to 25 lakh crore are late yearly.**

Online Dispute Resolution (ODR) is changing this depressing image. Without expensive solicitors and red bureaucracy, platforms like the one India's MSME Ministry just developed provide small firms with the capacity to address payment issues in 90 days or less.

Most importantly, ODR holds large players responsible. Many of the over 75% of MSME conflicts on ODR systems ignore legal requirements to pay MSME dues within 45 days. ODR builds compliance by making quick resolutions a reality. This quickness and openness help MSMEs to become "bankable" once more for lenders. Nowadays, banks such as SBI prefer ODR users as their dispute-free record and quick resolutions reflect their financial situation.

ODR is a lifeline, not a tool; 5.9 crore Indian MSMEs contribute 30% to GDP. ODR transforms immobilised money into growth fuel by decreasing costs, shortening resolution times by 90%, and allowing free flow of fair credit. The MSME Ministry is helping businesses to use these platforms, hence the message is clear: ***Do not let litigation choke your firm. Sort them quickly, rebuild your credit, and take back your future.***

Tackling the **₹1.99 lakh crore** cost of inefficient litigation directly and freeing money locked up across industries, Online Dispute Resolution (ODR) is a game-changer for India's economy. ODR frees frozen money, enhances bank recoveries, and reduces NPAs by resolving disputes in 90 days (instead of two and a half years) and reducing costs from **31% to 3%** of claim amount. This effectiveness provides the system liquidity, thereby allowing MSMEs the spine of India's economy to get access to ₹80,000 crore in additional credit, thereby driving company growth and generating 6–8 lakh jobs. These enhancements, along with ₹1.2 lakh crore in annual savings due to reduced legal and operating costs, make ODR pillar of India's GDP growth, financial inclusion, and global competitiveness.

Policymakers should consider it with the highest priority; banks and other financial institutions should consider it to minimize lending costs and risks; and enterprises must apply it to resolve disputes expeditiously if we are to fulfill its potential. ODR not just addresses systematic inefficiencies but a robust, equitable economy by making conflict resolution from a cost drag on the economy a development boost. The acceptance of ODR is not merely strategic; India needs to harness its demographic dividend to strengthen MSMEs and retain leadership of the world economy.

PSLAI and CADRE ODR created the March 2025 White Paper (Online Dispute Resolution: Revolutionising Business Costs) using data from industry participants, financial institutions, and public sources.

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The **PSL Association** is an organization dedicated to expanding the Priority Sector Lending (PSL) market, with an ambitious goal of doubling the MSME Lending market within the next 3 to 5 years to **1.47 trillion USD**. By uniting financial institutions, policymakers, and industry stakeholders, we are committed to driving innovation, enhancing financial inclusion, and accelerating economic growth.

A key priority of **PSLAI** is addressing the credit gap in the MSME sector, where **89%** of MSMEs remain outside the formal credit system. The lack of access to structured financing limits their ability to invest in growth, improve productivity, and expand market reach. Bridging this gap requires structural reforms, risk mitigating mechanisms, and tailored financial solutions that make credit more accessible, affordable, and sustainable for small businesses.

By reducing capital costs, advocating for policy changes, and fostering lender confidence, the **PSL Association** works to empower MSMEs, ensuring they have the financial backing needed to thrive, scale, and contribute to India's economic transformation.

CADRE ODR is dedicated to removing barriers to dispute resolution by creating simple, intuitive, and accessible solutions for individuals and businesses. Our mission is to make dispute resolution faster, jargon-free, and affordable, ensuring that legal complexities do not stand in the way of justice.

Since 2019, **CADRE** has been at the forefront of democratizing dispute resolution, leveraging technology to streamline processes and make **Online Dispute Resolution (ODR)** a practical alternative for businesses and individuals alike. Our team comprises seasoned legal, technology, and business professionals, all committed to building effective, technology driven resolution systems that enhance accessibility, efficiency, and fairness.

By integrating technology into dispute resolution, **CADRE ODR** is bridging gaps, reducing costs, and enabling faster settlements, making legal redressal an empowering experience.

Contact : www.cadreodr.com
rajneesh@thecadre.in

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A-1404, Omkar Meridia CHSL, Opp Equinox, BKC
Crossing, Kurla, Mumbai - 40007

communication@pslai.org

